Fiscal Decentralisation and Gender Responsive Budgeting In South Africa : An Appraisal

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Introduction

South Africa has been a pioneer in gender budgeting. Launched in 1995, it was the initiative of the post-apartheid regime, which took over the administration of the country in 1994. What distinguishes South African gender budgeting from that of other countries is the interface between racial discrimination and gender inequalities.

Understandably, race constitutes an important focus of attention in the policy arena in a country, where 79 percent of the 46.9 million people are Africans.[1] Public policy on gender cannot be built on the homogeneity assumption that *all women are equal* especially in a country where the overwhelming majority of the female population is African. It was felt that the dimension of race had to be recognised in gender budgeting as well, otherwise the main

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victims of oppression and discrimination *viz*., black women did not benefit to any appreciable extent. Thus emphasis moved away from the narrowly conceived gender budgeting with emphasis on budget allocations for women at the national level to affirmative actions through legislation to end discrimination against the blacks in general with special attention to women. Further, allocations in public expenditure having potential for benefiting women were sought to be provided more at levels of government closer to the people i.e., through decentralisation.[2] In all these initiatives, gender figured as the focus of attention with race. This paper seeks to provide an overview of gender budgeting initiatives within the framework of decentralisation process in South Africa, keeping these perspectives in view.

The paper has six sections. Apart from the introduction, section 2 critically evaluates the initiatives on gender budgeting in South Africa at national and subnational levels. Section 3 looks into the fiscal decentralisation process through a gender lens. Sections 4 and 5 deals with the budgetary process and the governance mechanisms at the local level to identify the entry points for gender. Section 6 draws and summarises conclusions.

II. Gender Budgeting Initiatives in South Africa

Gender budget initiatives began in South Africa, immediately after the Beijing UN Conference on Women, 1995 as a collaborative venture of women parliamentarians and non-governmental organisations,[3] known as Women's Budget Initiative (WBI). WBI emphasised that the solution to gender discrimination is mainstreaming gender issues rather than implementing separate women's programmes and policies. It is to be noted that *mainstreaming gender in budget* is comparatively a better approach rather than *quota-based gender budgeting* (of earmarking a specific proportion of each sectoral budget for women, as in the case of Philippines), which is confined to a very negligible part of the budget.[4]

Further, gender budgeting initiatives in South Africa focussed more on reprioritisation of programmes rather than increasing the budgetary allocation for women. This is against the backdrop of Growth, Employment and Redistribution (GEAR) macropolicy in 1997, which emphasised the hard budget constraints. Moreover, though the environment was more favourable towards gender equality with the adoption of the final constitution in South Africa in

1997 as also the development of machinery to oversee implementation of measures with gender focus, such as Office of Status of Women (OSW) and Commission of Gender Equality (CGE)), the gender focal points created within the government were engaged more in redressing gender imbalances among the elite of the civil service rather than attending to the needs of poor and needy women. However, the advantage of *civil society (outside government) initiative* of WBI in South Africa is the participatory, grassroot initiatives by the civil society to provide economic literacy among ordinary people and demystify budgets through the publication of simple budget (sectoral) booklets through a gender lens.[5] The drawback of the WBI is that it failed to institutionalise gender budget *within government* in South Africa. The sustainability of gender budgeting initiatives in South Africa will depend to a great extent in creating a synergy between civil society and government, in particular with experts in the budget division of Department of Finance to strengthen the public finance lens of gender budgeting.

A within government initiative on gender budgeting began in 1998 with the establishment of a women's pilot budget within Department of Finance. However, this was primarily a donor driven initiative by the Commonwealth Secretariat, which lasted for only two years. This resulted in the inclusion of certain case studies of gender issues within the compilation of *sectoral reports* tabled on *Budget Day* in 1999. Since 1999, the initiative has been discontinued by the Department of Finance. However, in the absence of any study in this regard, what has been the impact of these initiatives in terms of gender indicators is not known.

WBI took the gender budgeting initiatives to local level for the first time in 1999, though local governments were then in transition in terms of realigning the country from the racially segregated units of the apartheid regime. This was more challenging because of the difficulty in analysing the local government budgets through a gender lens as most local government services were directed to the households and not women members of households, as such. WBI tended to focus on the poor and the way local government budgets impacted them. Revenue decentralisation was one of the core thrusts of WBI in the following two years as attention was drawn to the issues related to fiscal autonomy at subnational levels. However, the *within government initiative* at local government on gender budgeting is almost invisible in South Africa, except in the province of Gauteng. An attempt was made in Gauteng to incorporate gender elements in its budget to which we turn in the section on budgetary process.

As mentioned, though there are no direct initiatives on gender budgeting *within government* at the national level, several windows have been opened for affirmative action in South Africa in terms of gender, especially through legislations like the *Employment Equity Act*, *Promotion of Equality Act* and *Black Economic Empowerment Act* (BEE). *The Employment Equity Act, 1998* envisages non-discrimination coupled with positive measures of discrimination to accelerate women's access to employment opportunities and benefits. The provisions of this Act envisage enforcement through the labour court system, labour inspections, and broad monitoring by a statutory body, *viz*., Commission of Employment Equity (CEE). The Act also addresses issues such as pregnancy discrimination, sexual and other forms of harassment, discrimination on grounds of HIV and AIDS status, discrimination on grounds of family responsibility, pregnancy discrimination and discrimination on grounds of disability, including failure to provide reasonable accommodation (Beijing Plus Ten Report, South Africa, 2005).

The Promotion of Equality and Prevention of Unfair Discrimination Act, 2000, provides a comprehensive legal framework for the prohibition of discrimination, redressal for discrimination, progressive eradication of discrimination, and promotion of equality. The core of enforcement mechanism has the specialised equality courts. At least 60 equality courts have been established to provide relief to claimants in magistrate courts throughout the country. The government has made a conscious decision to prioritise the advancement of women along with people with disabilities, workers, and rural communities in programmes or activities that are designed to undo the legacy of apartheid in the matter of participation by the black community in the economy. This policy commitment is reflected in the key national instruments that regulate BEE. These include the Broad-based BEE, 2003 (Act 53 of 2003), and the Draft codes of Good Practice on BEE. The National Policy Framework on Gender Equality and Women's Empowerment mandates the establishment of a regular monitoring mechanism through JMC (Joint Monitoring Committee) of Parliament to ensure that gender considerations are included in all legislations.

Despite these legislations and affirmative actions, within each *racial group*, inequalities persisted significantly. An important dimension of the interface between racial discrimination and gender inequalities in South Africa has been *intra-racial* income inequalities. If we decompose inequality into *within-group* and *between-group* components using the Theil-T, empirical evidence showed that 40 percent of inequality is owing to between-race inequality, 33 percent on account of intra-African inequality and 21 percent due to intra-White inequality (Ingrid, 2002). The point to be noted here is that affirmative action in South Africa continues to be shaped solely around racial identities, which ignores *intra-racial* inequalities, which is one of the emerging criteria of social differentiation in the country.

In spite of the *Employment Equity Act*, which is aimed at improving prospects for historically disadvantaged employees, black women continue to face economic disadvantage. Labour Force Survey (2003) revealed that African women faced high rates of unemployment compared to other groups and especially in comparison to white men and women. The unemployment rate was as high as 55 percent as compared to 10 percent among white women and 6 percent among white men (*Table 1*).

Table 1: Employment by Race and Gender, 2003

	Women			**Men**		
	African	**Coloured / Asian**	**White**	**African**	**Coloured/ Asian**	**White**
Not economically active	5,567,000	877,000	781,000	3,825,000	506,000	416,000
Employed	3,556,000	840,000	855,000	4,405,000	1,024,000	1,104,000
Unemployed	4,284,000	383,000	92,000	3,200,000	318,000	67,000
Total	13,408,000	2,100,000	1,728,000	11,430,000	1,848,000	1,588,000
Unemployment rate (in %)	55	31	10	42	24	6
Employment as % of adult population	27	40	49	39	55	70

Source: (Basic Data) *Labour Force Survey*, 2003. *Statistics South Africa in Neva Seidman Makgetla*, 2004

This disadvantaged position of black women can be attributed to discrimination in education, hiring and promotion and to the unequal division of labour in the household (Flood, Primo, and Kadalie, 1997). Data on incomes by race and gender revealed that in 2003 almost two thirds of black women earned under R1000 a month, compared to 3 percent of white men (*Table 2*).

Table 2: Incomes by Race and Gender, 2003 (in percent)

	Women			Men		
Monthly income	African	Coloured/ Asian	White	African	Coloured/ Asian	White
Up to R1000	64	31	5	40	23	3
R1001 to R2500	18	32	14	35	30	8
R2501 to R4500	9	19	27	15	23	14
R4501 to R8000	9	17	42	9	20	47
Over R8000	1	2	11	2	5	29
Total	100	100	100	100	100	100

Source: (Basic Data) *Labour Force Survey*, 2003. *Statistics South Africa in Neva Seidman Makgetla*, 2004

Empirical evidence also revealed that in the name of BEE, many firms in South Africa were engaged in *window-dressing*, recruiting blacks to give the firm an artificial black empowerment profile, but attempted to exploit and circumvent empowerment regulations out of reluctance to transfer economic power to black people (Engdahl and Hanks, 2001). It is also noted that there exists a debate in South Africa whether introduction of *sunset clause* in affirmative actions — it refers to the termination of affirmative action, either be set by a timeframe or be linked to the achievements of certain goals — could be more effective.

It is increasingly realised that the benefits of affirmative action and legislations against racial discrimination is confined to only the elite within the racial groups. Evidences revealed that reforms through legal fiat are necessary but not sufficient conditions for removing or alleviating the racial and gender inequalities in the post-apartheid regime are created. The mainstreaming of the disadvantaged women in the racial groups to the economy needs more effective policies to redress their *capability deprivation* through improving their access to physical and social infrastructure than just better enforcement of legislative measures and affirmative action.

Effective fiscal decentralisation has a significant role to play in improving the access of women to the basic infrastructure and public service delivery. At the subnational level, with increasing decentralisation, there is good scope for initiatives on gender budgeting; the rationale being that *merit goods* like education and health are the responsibility of provincial government and the provisioning of *quasi-public* goods like, water supply which is of crucial importance for women, is the responsibility of local governments. However, there is no meaningful decentralisation at the provincial level, as the revenue powers of provinces are negligible. In the section that follows, we take a look at the process of fiscal decentralisation and the process of budgeting at subnational government, mainly local government, in South Africa through a gender lens.

III. Fiscal Decentralisation in South Africa through a Gender Lens

South Africa has a unitary system of governance, but, in practice, it is highly decentralised with three tiers of government. It has, besides the national government, nine provinces and 284 local governments. In the reorganisation of sub-national units of government, race has been an important consideration rather than fiscal imperatives. In the post-apartheid era, four white provinces and nine black homelands were reorganised into nine provinces; while 843 transitional municipalities were consolidated into 284 local governments by combining the black and white areas. There are, however, no rural local bodies unlike *panchayats* in India.

3.1 Assignment of Functions and Finance

The constitution assigns revenue powers and functions to the three levels of government (*Table 3*). The asymmetry between the revenue powers and expenditure functions across the tiers of government have made provinces and local governments dependent in varying degrees on transfers from national government flowing through a *revenue sharing* model.

In terms of revenue assignment, local governments — all municipalities — have access to some substantial tax powers unlike the provinces. While the national government is vested with all broad-based taxes such as income tax, corporation tax, VAT, excises, fuel levy, and customs, constituting around 80 percent of total revenues, sources of revenue for provinces are very few and insignificant. These include gambling taxes (betting tax on casino and horse race), motor car license fees, and user fees on hospital services. In 2002, revenue from these sources constituted only 1.32 percent of the total revenues of the government.

Table 3: Assignment of Functions and Financial Powers to Different Levels of Government

Govt. level	Expenditure functions	Revenue powers	% of total expendi-ture	% of total revenue	% of own revenue in expenditure
National	Defence and Intelligence Criminal Justice (Police, Prisons, Justice) External Affairs Home Affairs Higher Education Transport (National roads And bus subsidies) Public Works Water Affairs Trade and Industry Minerals and Energy Environment and Tourism Land Affairs Art, Culture, Science And Technology Communications Labour Education Health* Welfare* Housing	Income tax (personal) Income tax (corporate) VAT Fuel levy Excise	28.3	78.46	100

Table 3: Assignment of Functions and Financial Powers to Different Levels of Govt. (contd.)

Govt. level	**Expenditure functions**	**Revenue powers**	**% of total expendi-ture**	**% of total revenue**	**% of own revenue in expenditure**
Provincial	School Education Health (academic, Hospitals, primary) Welfare* Housing* Provincial Roads	Tax on gambling Motor car License fees Hospital fees	43.82	1.32	3.2
Local	Electricity Reticulation Water Reticulation Sanitation and Waste Water Municipal Infrastructure (Streets) Fire fighting Municipal Administration Garbage Collection	Property tax Regional levies Electricity/ Water user Charges	27.31	20.22	78.8
			100	100	-

Note: * refers to concurrent assignments.
Source: Rao (2003), and Momoniat (2002).

The own sources of revenue of local governments are property taxes, turnover/pay roll regional levies on businesses and user charges on electricity and water, constituting a little over 20 percent of the total government revenue (*Table 3*). At the same time, various expenditure functions are assigned to provincial and local governments. Provinces are able to finance only 3.2 percent of their expenditure functions from own revenue sources; while 78.8 percent of the expenditure functions are covered by own revenue sources at the local level.

3.2 Intergovernmental Transfers

In regard to revenue sharing, South Africa's Constitution specifies that provincial and local governments are entitled to an *equitable share* of nationally raised revenue (section 214).[6] Accordingly, since 1998 certain shares of national revenues (after national debt servicing needs and contingency reserve for emergencies) have been allocated to subnational governments as their "equitable share".

Table 4: Revenue Transfers-headwise, 2005/06 – 2008/09 (in percent)

	Revised	**Medium term estimates**		
	2005/06	**2006/07**	**2007/08**	**2008/09**
National	37.6	36.6	36.3	35.9
Provincial, of which	57.6	57.0	57.2	57.4
Equitable shares	37.2	36.1	36.5	37.0
Conditional grants	20.5	20.9	20.7	20.4
Local	4.8	6.5	6.5	6.6
Total	100	100.0	100	100

Source: Medium Term Budget Policy Statement, 2005, page 53

As per the latest estimates, provincial governments receive 37.2 percent of national revenue as *equitable share* while local governments receive 4.8 percent of the national revenue (Medium Term Budget Policy Statement, 2005). The division of revenue is made for three years under the multi-year budgeting system in South Africa. The estimates of recent division of revenue are given in *Table 4*.

3.2.1 Transfers to provinces

The Provincial Equitable Share, (PES), an unconditional grant, constitutes the major fiscal transfer to provinces. There are some conditional grants, however. PES is based on a formula consisting of seven components. The formula has relatively high weights for education, health and welfare; in addition, the formula contains backlog and economic activity components.

The devolution formula of PES is significant in incorporating efficiency and equity in the provision of public services in South Africa. However, as already noted, the transfer formula has been revised recently taking out the welfare and backlog components. The current and revised formulae[7] are given in *Table 5*. The weights assigned to each component are broadly based on expenditures incurred in the past. Provinces have the discretion to spend PES according to their own priorities as it is an unconditional transfer and thus fully fungible.

Table 5: The Provincial Equitable Sharing (PES) System

Component	Criteria for Distribution	Weight of Share (in percent) Current	Revised (2004)
Education	(i) Enrolment (ii) Children in the school age group 6-17	41	51
Health	(i) Population covered by medical aid support (ii) Population without the medical aid support	19	26
Welfare	(i) Transfer payments to identified groups—elderly, disabled, children. Population in the lowest two quintiles of income distribution.	18	-
Basic	Share of total population of the country.	7	14
Economic Activity	Share of remuneration of employees based on Gross Domestic Product per Region(GDPR)data	7	1
Backlogs	Capital (backlogs) needs in education and health. Also includes a ruralness factor.	3	-
Institutional	Fixed costs associated with establishing institutions for provincial governments and delivery of public services.	5	5
Poverty		-	3
Total		100	100

Source: *Budget Review, 2005* ; *Finance and Fiscal Commission (2004)* and *Western Cape Medium Term Budget, 2005-2008*

In addition to PES, Provincial expenditures are financed through conditional transfers. *Table 6* sets out the total transfers, both equitable share and conditional grants, to provinces in 2005-06. The equitable share constitutes 64.4 percent of the total grants. Social Development conditional grants make up the largest share of conditional grants. This is because of the revision in PES formula that welfare component (social security grants) should be removed from the formula and the function be converted into a conditional grant or any other appropriate funding mechanism while the issue of the National Social Security Agency is addressed (*Budget Review, 2005*).

Table 6: Total Transfers to Provinces, 2005-06 (R million)

	Equitable share	Conditional Grants						Total transfers
		Health	**Provincial infrastructure grant**	**Housing**	**Social development**	**Others**	**Total**	
Eastern Cape	22202	848	675	581	10705	276	13085	35287
Free State	8660	759	221	408	4015	88	5491	14151
Gauteng	20810	2547	370	1345	6852	120	11234	32044
KwaZulu-Natal	28399	1315	788	800	12865	287	16055	44454
Limpopo	18376	522	661	399	7385	238	9205	27581
Mpumalanga	9976	257	286	321	3826	112	4802	14778
Northern Cape	3124	249	181	80	1345	45	1900	5024
North West	11086	353	321	468	4674	131	5947	17033
Western Cape	12072	1815	229	466	4265	74	6849	18921
Total	134705	8665	3732	4868	55932	1371	74568	209273
% Share	64.4	4.1	1.8	2.3	26.7	0.7	35.6	100

Source: *Budget Review, 2005*, page 147

3.2.2 Transfers to local governments

The local governments receive Local Equitable Share (LES) and a few conditional grants as fiscal transfers from national government. LES is intended primarily to assist poor households that are unable to pay for the services that are delivered by the municipality, as may be seen from the components and weights presented in *Table 7*.

The revision of LES is under consideration to improve the components for basic services and institutional arrangements, better reflect the revenue-raising capacity (RRC) of municipalities, update the cost of basic services package to poor households for the first time since 1998 and take greater account of the level of services actually provided by municipalities. This is particularly significant in the context of local governments of South Africa, mandated by the constitution (Section 153a) to provide a significant number of services, some of which are their responsibility and others are concurrent with the other spheres of government.

Table 7: Local Equitable Share Funding Windows

Component/ window	Stated purpose of funding	Criteria for distribution	Weig-hts (2004 /05)
S-Grant (service grant)	Operational costs of basic services in poor Households	Number of poor households	40.4
I-Grant (institutional grant)	Institutional and Governance requirements	Monthly average per capita income and total population	6.5
R293 Grant (R) [grant for devolved functionaries]	Funding of R293 staffs transferred from Provinces to Municipalities	Historical distribution of R293's;decision about the number of R293 staff allocated to municipality	3.6
Nodal allocations (N)	Projects identified in the local ISRDP and URP[8] planning exercises	Rural 65%, urban 35%;Number of poor people in nodes	3.1
Free basic Services (water, Sanitation, refuse) (B)	Operational costs of a Range of services (excluding electricity to poor households)	Average between number of poor hhs and hhs with basic services backlogs	20.2
Free basic Electricity (E)	Operational costs of Electricity provision to Poor households	Average between poor hhs and hhs with basic electricity backlogs	6.9
Minimum guarantee (M)	Protection of local bodies from negative shocks due to changes in formula	Sum of the formula determined S and I grants or previous years allocation	18.6
Total	S + I + R + N + B + E + M		100.0

Source: Submission for the division of revenue 2005/06, *Financial and Fiscal Commission (2004)*.

Apart from Local Equitable Share (LES) and the water operating subsidy, there are two more transfers to local government which are conditional in nature; *viz*., infrastructure grants and capacity building, and restructuring grants. *Table 7* gives the components of national transfers to local governments. The unconditional LES component constitutes 56 percent of national transfers in 2005-06. The establishment of Municipal Infrastructure Grant is a major step forward in the process of conditional grants; as it rationalises a large number of grants to local government for infrastructure. LES supplements local governments own revenue to deliver free basic services such as water, sanitation, electricity and refuse removal to poor households. While there are large variations among municipalities, on average, nearly 86 percent of local government revenue comes from their own revenue sources like property taxes, regional service council levies, user charges and borrowing (*Budget Review, 2005*).

Table 8: Total Transfers to Local Government (in percent)

	2004-05	**2005-06**	**2006-07**	**2007-08**
Equitable share and related	58.45	61.64	58.38	57.83
Equitable share and related	52.03	56.19	53.35	52.98
Water and sanitation operating	6.43	5.44	5.03	4.85
Infrastructure	36.34	33.99	37.82	38.68
Current transfers	5.20	4.36	3.80	3.49
Total	100	100	100	100
Total transfers (R million)	*14757*	*17160*	*19708*	*21461*

Source: *Budget Review, 2005*

The 'cost norms' approach of FFC to determine the *equitable shares* is criticised on the ground that it takes into account only the estimates of *expenditure needs* for the assigned functions and does not consider the *revenue equalisation requirements* in the transfer system. Paucity of information on various factors influencing expenditure needs of all seven components in the PES formula and methodological improvement in estimating expenditure needs also constitute limitations of FFC method (Rao, 2003). Moreover, in the case of provinces, revenue equalisation in the transfer formula is meaningful only when some broad-based tax handles are assigned to provinces rather than the current gambling taxes and hospital services.[9]

3.3 Gender in Fiscal Decentralisation

Absence of significant fiscal autonomy of provinces is an odd feature of South Africa's decentralisation system. This looks particularly surprising since provinces are responsible for the implementation of the most important social services, including school education, health (including academic and regional hospitals, as well as primary health care) and housing. Moreover, all these have significant implications in terms of gender, when it comes to public service delivery.

In the health care provisioning, the biggest challenge in South Africa is with regard to the HIV epidemics, the most severe in the world. By the end of 2005, there were 5.5 million people living with HIV in South Africa, and almost 1,000 AIDS deaths occurring every day (UNAIDS 2006). Based on its sample of more than 16,000 women attending antenatal clinics across all nine provinces, the South African Department of Health Study estimates that 29.5 percent of pregnant women were living with HIV in 2004. The provinces which recorded the highest HIV rates were KwaZulu-Natal, Gauteng and Mpumalanga (*Table 9*).

Table 9: Estimated HIV Prevalence among Antenatal Clinic Attendees, By Province (in percent)

Province	2000 prevalence	2001 prevalence	2002 prevalence	2003 prevalence	2004 prevalence
KwaZulu-Natal	36.2	33.5	36.5	37.5	40.7
Gauteng	29.4	29.8	31.6	29.6	33.1
Mpumalanga	29.7	29.2	28.6	32.6	30.8
Free State	27.9	30.1	28.8	30.1	29.5
Eastern Cape	20.2	21.7	23.6	27.1	28.0
North West	22.9	25.2	26.2	29.9	26.7
Limpopo	13.2	14.5	15.6	17.5	19.3
Northern Cape	11.2	15.9	15.1	16.7	17.6
Western Cape	8.7	8.6	12.4	13.1	15.4
National	**24.5**	**24.8**	**26.5**	**27.9**	**29.5**

Source: Department of Health, South Africa, 2004

Empirical evidence also revealed that HIV/AIDS pandemic has increased the time spent by women in the care economy. Health policy in South Africa is yet to recognise the care providers of AIDS patients in the unpaid economy. In other words, health issues of women not only as *users of services*, but also *providers of health services*, both at community level and household level, need adequate attention in the macropolicies related to health sector. Much of the added labour in the care economy could have been lessened if people with AIDS had access to anti-retrovirals (ARV) in public health care provisioning by the provincial governments, which permit most to remain healthy for much longer. It is noted that ARV treatment is accessible to only a small minority of South Africans who can afford private healthcare. The point to be noted here is that the cost of providing treatment in public health care and preventive education could eventually be less expensive than the economic impact of an unchecked AIDS epidemic.

Yet another instance is with regard to the public provisioning of housing and its gender specific impacts. The myopic policies related to public provisioning of housing away from basic amenities of life have increased the time spent by women in the care economy. As noted in *Table 10*, subsidised housing in the urban areas of South Africa was substantially distant from basic amenities, including clinics, schools, and welfare offices.

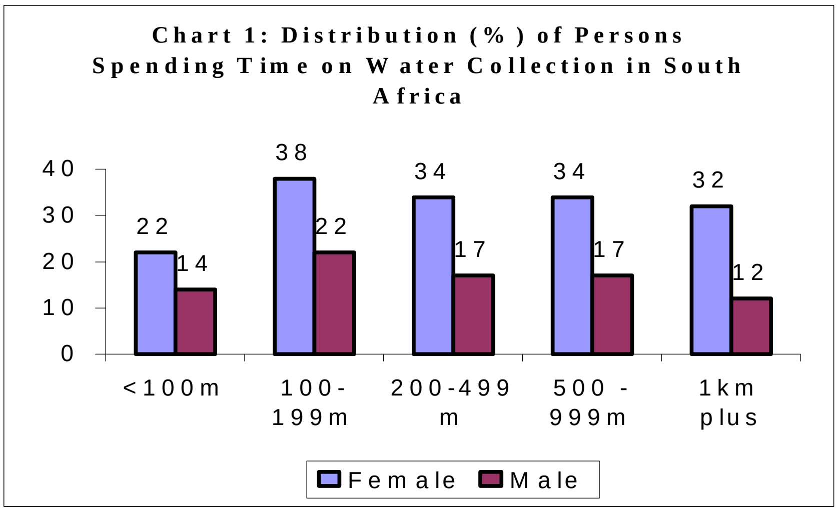
Table 10: Distance of Urban Subsidised Housing From Amenities, 2003 (in percent)

	Clinic	Hospital	Primary School	Secondary School	Welfare Office	Postal Services
Up to 30 minutes						
With subsidy	84	60	92	86	70	78
Without subsidy	87	66	94	90	78	84
30 minutes to an hour						
with subsidy	14	32	8	14	27	20
without subsidy	12	30	6	9	21	15
60 minutes or more						
with subsidy	2	8	0	1	3	2
without subsidy	1	4	0	1	1	1

Source: (Basic Data) *Labour Force Survey, 2003. Statistics South Africa in Neva Seidman Makgetla, 2004*

Apart from provincial governments, the local governments are also entrusted with the provisioning of many of the *quasi-public* goods and user services including power and water, which have gender dimensions. Public infrastructure deficit or poor provisioning of *quasi-public good* in the rural areas may accentuate rural poverty as the time allocation across gender is skewed towards unpaid SNA work like fetching of water, which is otherwise available for income-earning market economy activities.

Public investment in infrastructure like water can have positive social externalities in terms of sparing the girls from the duty of fetching water, enabling them to go to school and improving the health and nutrition of households. Studies have found that easy access to drinking water facilities lead to an increase in school enrolment, particularly girls. Time use statistics provide valuable insights in terms of gender in expenditure assignments, which otherwise appear to be *non-rival* in nature. For instance, the time use data conducted in South Africa revealed that of the people without access to water on sites, a larger proportion of female than male members of the household are likely to be involved in water collection (*Chart 1*). The gender differentials in the likelihood of members being involved is smallest when water is less than 100 metres from the dwelling, and the largest when water is at a distance of a kilometer or more. Female members of the household are almost three times as likely as male members to collect water, when water source is far away.



Analysis of time use statistics revealed that the average time per day spent collecting water increases from 44 minutes for collectors living in households within 100 meters of the water source, to 71 minutes per day for households at a distance of a kilometre or more from the source (Statistics South Africa, 2002). Public investment in water and delivery mechanism of water has serious implications in terms of time use and unpaid work burden of women. However, functional autonomy at subnational governments without required revenue powers make them dependent on national governments for financing their expenditure responsibilities. When a substantial part of revenue at provincial level comes as intergovernmental transfers, it is important to look at the transfer system through a gender lens. The constitution has established the Financial and Fiscal Commission (FFC) and entrusted it with a variety of powers related to intergovernmental fiscal relations.

In principle, the central objective of the intergovernmental fiscal transfer system is to offset fiscal disabilities arising from deficiency in revenue capacity and higher unit cost of providing public services in the case of general purpose transfers and ensuring minimum standards of services in case of specific purpose transfers. The case for integrating gender component into *general purpose transfers* is a matter of debate. Apparently, the general purpose transfers in South Africa designed on *cost norms* to meet the needs of assigned expenditure functions, especially education and health, may incorporate gender disaggregated indicators as well, and assign appropriate weights. In the case of health, it is not the population with or without medical aid facilities that seems relevant for determining the equitable share of provinces. Although the population in general is the beneficiary of healthcare, the requirement of healthcare facilities is greater for certain categories of population, particularly important for small children (less than 5 years), elderly (more than 65 years) and women in the reproductive age group, and therefore it may be useful to redesign the health component of the formula by including these factors (FFC, 2004). Similarly, educating girls may have different cost implications from educating boys. On the other hand, it is argued that gender considerations need not be integrated into the general purpose transfers which are mainly to offset the vertical and horizontal inequities in fiscal capacity. However, gender considerations may be integrated in *specific purpose transfers* as they are meant to ensure minimum standards of *merit services* in all jurisdictions.

Yet another point to be flagged is the implication of shifting the welfare component from the ambit of PES into the conditional grants segment. One of the main reasons behind this amendment is the arbitrary *crowding out* of other constitutionally mandated basic social services (CMBSS) in social sector budgets because of the rising social security expenditure.[10] Far from resulting in trivial variations from actual expenditure, these differ considerably from what the results of the National Treasury formula suggest these allocations should be. This strongly suggested that social security grants need to be treated differently within the budget allocation process to avoid crowding out (FFC, 2003).

The gender implication of reverting the social security grants to the national level, to avoid crowding out of the other provincial service delivery mandates, is yet another matter of concern. This component of PES has two elements. The first weighs transfer payments to identified groups namely, the elderly, disabled and children. The weights for the target population groups is determined according to the historical distribution of expenditure on different grants. The second element is the population in the lowest two quintiles of income distribution determined on the basis of the latest income and expenditure survey. Since poor and elderly black women are likely to have disproportionately high representation among recipients of social development grants such as old age pensions, and are also likely to be relatively more numerous in the bottom deciles of the income distribution, this recent change in the rules of fiscal transfer will have positive gender implications because the nature of grants now is not untied and hence not fungible.

IV. Budgetary Process and Gender at Provincial and Local Government

Conceptually, gender budgeting can be operationalised at two stages; one at the *ex-ante* levels in the process of making budgets and two, at *ex-post* levels looking at the budget document through a gender lens and impact analysis or looking at outcome and outputs in terms of gender. This section deals with the budgetary processes at provincial and local level governments to identify the *ex-ante* entry points for gender in terms of making the budgets.

4.1 Provincial Budgetary Process

At the onset, it is to be mentioned that the provincial budget needs to be approved by the national treasury and the autonomy of the provincial budgets is limited to that extent. Moreover, as noted in the above section, decentralisation is not effective at provincial level owing to their negligible revenue powers.

The chief goal of the provincial budget process is to translate the derived provincial priorities into departmental budgets within the parameters of *Public Finance Management Act* and *Intergovernmental Fiscal Relations Act*. In the first cycle, the provincial treasury requests departments to draft budgets and strategic plans on the basis of provincial and national government policies and these submitted drafts are assessed by the provincial treasury through a series of bilateral meetings with departments. These assessments are supported by a series of reviews subsequently consolidated into a Provincial Medium Term Budget Policy Statement[11] (MTBPS 2005-2008). The first cycle ends when MTBPS is accepted by the provincial cabinet and tabled in the provincial parliament. The second starts when departments are requested to refine their draft budgets and strategic plans provided in

MTBPS. After the amendments, the final budget proposals are forwarded to the executive. After the process is ratified by the provincial cabinet and as the strategies come to the point of finalisation, the monitoring of the implementation on a quarterly basis begins through mutually reinforcing processes led by Department of Premier and Provincial Treasury.

4.2 Provincial Gender Budgeting Experiences

In terms of gender budgeting, not all the provinces have initiated the process *within government*. Gauteng Provincial government set off gender budgeting in 2003 as a result of a collaborative venture of Social Development Directorate of the Premier's Office and the Gauteng Department of Finance and Economic Affairs. The *Budget Review, 2003* of Gauteng contained sections on gender, where it explained the mainstreaming approach of the province in terms of gender budgeting and its focus on economic empowerment in particular. It is also noted that each department has been asked to look at outcomes and outputs of different programmes in terms of three categories:

- Those which are specifically targeted for women and girls.
- Those which benefit women or promote equality although they might be used by both men and women.
- Those which benefit women employees of the Gauteng provincial government (GPG).

Departments were also asked to provide a gender breakdown of their employees and targets in terms of procurement from women-owned businesses. *Budget Overview* notes that the Gauteng Provincial Government views this as an incremental process aiming towards a *full fledged gender budget*.[12]

It is also to be noted that Gauteng legislature produced a gender budget policy document, which indicated how gender budgeting could fit into the Programme Evaluation and Budget Analysis (PEBA) model developed by the legislature, piloted in three sectors, *viz*., education, housing and safety and liaison.[13]

4.3 Local Level Budgeting Process, IDP and Gender

At the local level, since 1996, Integrated Development Planning (IDP) was made mandatory to ensure that the budget is aligned with the priorities of the municipality's development priorities. IDP was a crucial step to move away from *apartheid planning* which created racially divided geographical areas, increasing informal settlements and in turn poor provisioning of public services. *Municipal Systems Act* (Act 32, 2000) defines IDP as a "single, inclusive and strategic plan" that links, integrates and coordinates a municipal sector specific plans; aligns the resources and capacity of the municipality to the overall development objectives of the municipality, forms the policy framework on which annual budgets rest and informs and is informed by similar development plans at national and provincial development plans. *The Municipal Finance Management Bill* (2002) also requires municipalities to consider IDP in the drafting of the budget and ensure that the budget is aligned with the priorities of the municipality's IDP. The different phases of IDP and methods of participation are given in *Table 7*.

Table 7: Stages of Integrated Development Plan (IDP)

	Planning phase	Methods for Participation
I	Analysis	• Community meetings organised by the ward councilor • Stakeholder meetings • Surveys and opinion polls (getting views on how people feel about a particular issue)
II	Strategies	IDP Representative Forum Public debates on what can work best in solving a problem
	Projects	Meetings with affected communities and stakeholders Representation of stakeholders on project subcommittees
III	Integration	IDP Representative Forum
IV	Approval	Public discussion and consultation with communities and stakeholders
V	Monitoring and Implementation	IDP Representative Forum

Source: http://www.etu.org.za/toolbox/docs/localgov/webidp.html

The first two stages of IDP identify the local needs, prioritise it and develop the medium term development strategy to achieve its development objectives, which in turn leads to the identification of specific projects. Once all projects have been identified, in the third stage, municipalities critically review the projects to see whether they provide an overall picture of the development plans. The final stage of the IDP integrates all the strategies for issues like poverty alleviation, disaster management, HIV-AIDS with overall IDP and submits the overall IDP for approval before the Council. The Council may adopt a draft for public comment before it is finalised.

As it is structured, there is community participation in the development of IDP and municipal budgets, which in turn provides an opportunity to the citizens to identify the local needs in terms of gender and involvement in the process of prioritisation. In particular, the IDP Representative Forum includes representatives from unorganised groups including those working on gender.[14] In a study on gender budgeting at local level in South Africa, it is noted that the local councillors were better informed on the gender structures in IDP as well as on the details of the budget consultation process.[15] However, in general the local councillors had a technical approach to the matters such as non-availability of gender disaggregated data for such analysis or relevance of the assumption of household as the unit of analysis, rather than gender.

IDP can be an effective entry point to conduct *ex-ante* gender budgeting by identifying the gender needs at the local level, cost it and subsequently building it into budgets. This alternative model of gender budgeting from the existing traditional models of *ex-post* gender budgeting of looking into existing budgets through a gender lens and categorising the allocations on the basis of intensity of gender allocations can go far with the strengthening of fiscal decentralisation in South Africa.

V. Gender in Governance at Local Level

An area in which substantial progress has been made in South Africa in the post-apartheid regime consists of advancing the role of women in governance at all tiers of government. Against the backdrop of gender equality and non-racial discrimination, the South African government has set clear targets towards the empowerment of women in terms of participation at the level of legislature, senior management positions in public sector, and at local government level. Within the framework of the White paper on the Transformation of the Public Service, 1995 and the White Paper of Affirmative Action in Public Services, 1998, a minimum target of 30 percent was put in place for women in management positions in the public service. In national Parliament, as of 2004, almost a third (32.75%) of members of the national Assembly are women. There were 22 (44.89%) female ministers and deputy ministers at national level in 2004. There has been an 18 percent increase of women in National Legislature since 1997. Four of the nine premiers of provinces since 2004 elections have been women. Before the 2004 elections, Free State was the only province to have been consistently headed by women premiers. The present level of representation of women within Provincial Legislature is 32.3 percent. Seven out of nine provinces have met the minimum 30 percent quota for women in political and decision-making positions. The existence of 284 elected local councils in South Africa, a country of 43 million people, does bring the government relatively close to the population. Thus local governments in South Africa come much closer to fitting the concept of 'self governance' than do the provincial governments (Momoniat, 2002).

South African National Gender Machinery operates on three pillars: (i) Parliamentary Structures of the Women's Caucus and the Joint Parliamentary Committee on the Quality of Life and Status of Women; (ii) The Office of the Status of Women, based in the Office of the Presidency and working closely with gender desks in line with ministries; and (iii) the Commission for Gender Equality, an independent advisory, consultative and research body, which is directly accountable to parliament. Gender Commissioners are appointed for all provinces. At the local level, the *Traditional Leadership and Governance Framework Act, 2003* (Act 41 of 2003) requires that at least 30 percent members of the National House of Traditional Leaders be women.[16] In 2003, women comprised 28 percent of councillors at local government level. This marked a significant increase from 16.9 percent in 2002. The moot question is whether the participation of women in local government has led to integration of gender analysis in the programming and service delivery. The rationale for gender sensitive budgeting is that local governments, which are closer to citizens, have high probability of better information on the gender differentiated needs and preferences, options and constraints of citizens. Hence more efficient provisioning of public services can be ensured at local level than at the national government. Moreover, as the local governments raise most of their revenues from own sources, their councillors might be seen as more accountable to their constituents than are officials of the provinces where most financing comes from the national government as intergovernmental transfers. Effective participation of women in governance at local government along with the fiscal autonomy at local level in South Africa may be able to change the expenditure decisions of the local government and in turn change the types of public good investments at local level to reflect the revealed preferences of women.

VI. Conclusion

Reviewing the developments in the post-apartheid regime, the paper looks into the process of fiscal decentralisation through a gender lens to identify entry points for gender in the local governance and budgeting process. Though initiatives on gender budgeting were undertaken at the Department of Finance at national level, they were rolled back in 1999 after two years of donor-driven initiatives.

However, it would not be fair to say that gender budgeting has since been completely given up in South Africa. Rather to say that gender budgeting initiatives in South Africa is more of a *civil society (outside government) initiative* rather than *within government initiative*. South African experience also highlights that the donor-driven gender budgeting initiatives are unsustainable and fail institutionalisation. This is corroborated by many experiences across the globe. The *civil society (outside government) initiative* of gender budgeting has its advantages and disadvantages. The advantage of *civil society (outside government) initiative* of WBI in South Africa have been participatory, grassroot initiatives by the civil society to provide economic literacy among ordinary people and to demystify the budgets for them through the publication of simple budget (sectoral) booklets through a gender lens. However the drawback of the WBI is that it failed to institutionalise gender budget within government in South Africa. The sustainability of gender budgeting initiatives in South Africa will depend to a great extent in creating synergy between the civil society and government, in particular, with experts in budget division of finance, to further strengthen the *public finance lens* of gender budgeting in South Africa.

With the progress of fiscal decentralisation and policies related to affirmative action, South Africa seeks to address gender inequalities in various ways. As you now, there are no visible signs of gender budgeting *within the government* at national or subnational levels in a sustained manner. To start with, gender thrusts in the government had been confined to the gender inequality issues of elites in civil services rather than for the poor and needy black women. There is however, an increasing trend towards mainstreaming gender in budgets and affirmative action rather than allocating separate policies and programmes for women. Furthermore, gender is now intrinsic in legislations for employment equity, black economic empowerment and violence against women. What makes the South African gender-oriented actions different from other countries is the interface between racial discrimination and gender inequalities.

At the local level gender initiative began in South Africa in 1999. At the second tier of government, poor fiscal autonomy of provinces has significant adverse implications in terms of gender budgeting, especially since they are responsible for the implementation of the most important social services, including school education, health and housing. The asymmetry between the revenue powers and expenditure functions across levels made subnational governments dependent on the transfers from national government. Integrating gender component into intergovernmental transfers is a matter of debate. On the one hand, it is felt that as the design of *equitable share* transfers (unconditional) are based on cost norms designed to meet the needs of assigned expenditure functions, especially in terms of education and health, it may incorporate gender disaggregated indicators as well, and assign appropriate weights to them. On the other hand, it is argued that gender considerations need not be integrated into the general purpose transfers which is mainly to offset the horizontal inequities in fiscal capacity. However, gender considerations may be integrated in specific purpose transfers as they are meant to ensure minimum standards of merit services in all jurisdictions.

In terms of gender, provisioning of public goods and user services like water (which is primarily the responsibility of the local governments) assumes importance. Time use statistics of South Africa provide valuable insights in terms of gender in these expenditure assignments, which otherwise would appear to be *non-rival* in nature. It provides information in identifying the *complementary fiscal services*. Better public provisioning of water can have positive social externalities in terms of educating the girl child and improving the health and nutritional aspects of the household in general.

Greater fiscal autonomy with effective participation of women in governance at lower levels may change the expenditure decisions of the local government through the various types of public good investments to corresponding more revealed preferences ('voice') of women. The linking of *Integrated Development Planning* (IDP) in the budgetary process that is now taking place, has the potential of bringing gender explicitly in public policy.

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Endnotes

[1] The white population constitutes only 4.4 million (9.3%), the coloured (that is, 'mixed') population 4.1 million (8.8%) and India/Asian 1.1 million (2.5%) as per midyear estimates for 2005. Fifty one percent (23.8 million) of the population are women (Statistics South Africa, 2005).

[2] The legacy of apartheid left wide spatial inequalities along racial lines with four racially segregated white provinces and nine black 'homelands'. Homelands were fiscally dependent at the national government of the apartheid regime. Post-apartheid, moves towards decentralisation began with reorganising the country under nine new provinces. During the apartheid regime, white ruled South Africa was divided into four provincial administrations appointed by the national government and local governments. Black South Africans were confined to live in 'homelands' established in rural areas away from the main centres. Black people living in urban townships in South Africa then were regarded as temporary residents had to move to the homelands once term of labour was over. The budget of apartheid government focussed spending on white residents, with very little expenditure directed towards education, health, housing and other basic needs of black residents (Momoniat, 2002). Subsequently, a decentralised system with three levels of government was created and a mandate for fiscal division of powers and provisioning of public services was defined for each tier in the constitution. With more effective policies related to affirmative action and fiscal decentralisation, there is an increasing recognition of the need for mainstreaming gender in the budget rather than implementing separate women's programmes and policies. The initiatives on gender budgeting cannot however be viewed in isolation from the ongoing process of integrating gender in other policy initiatives in South Africa. The most important among the initiatives have been the attempt to incorporate gender dimension in the legislative measures designed to end discrimination against the native people, *viz*., *Employment Equity Act, Promotion of Equality Act, Black Economic Empowerment act (BEE)* etc. For details, section 2.

[3] The parliamentary partner was initially the Joint Standing Committee on Finance and later the Joint Committee on the Quality of Life and Status of Women. The two NGOs involved in the process were the Institute of Democracy in South Africa (IDASA) and the Community Agency for Social Enquiry (CASE).

[4] The approach of 'mainstreaming gender' in macropolicies is criticised on the ground that it may lead to non-transparency and non-accountability of gender in the process of mainstreaming. (from the interview with Mary, Gender Equity Unit, University of Cape Town).

[5] Since 1996, WBI produced a series of books each year, *viz*., First Women's Budget (1996), Second Women's Budget (1997), Third Women's Budget (1998), Fourth Women's Budget (1999), Fifth Women's Budget (2000), Sixth Women's Budget (2001).

[6] The Constitution of South Africa states in section 214:

"214. (1) An Act of Parliament must provide for

- The equitable division of revenue raised nationally among the national, provincial and local spheres of government;

- The determination of each province's equitable share of the provincial share of that revenue; and
- Any other allocations to provinces, local government or municipalities from the national government's share of that revenue, and any conditions on which those allocations may be made."

The distribution of the equitable share must take into account 'the need to ensure that… municipalities are able to provide basic services and the functions allocated to them' (sub-section 2d) 'the fiscal capacity and efficiency of…municipalities', (sub-section 2e) and the 'developmental and other needs of…municipalities' (subsection 2f).

[7] FFC (2004) gives some of the reasons for the revision of the PES formula, which are as follows:

(i) The current formula has now been fully phased in.
(ii) The latest census data has been available since 2003. The current weights assigned to different components of the formula are heavily driven by demographic patterns and hence need to be assessed.
(iii) The national government is going to establish the South African Social Security Agency (SASSA) which will be responsible for the payment of social security grants. The welfare component of the PES will therefore cease to exist and will be converted into a conditional grant.
(iv) Existence of the backlog component inspired provinces to increase their capital spending on basic services, which might have proved unsustainable in the long run.
(v) Although the allocations of provinces are determined in terms of the seven components, provinces have the discretion to spend their equitable share transfers according to their own priorities since the allocation is unconditional. This gives rise to a potential situation of provinces bypassing developmental expenditure.
(vi) Provinces have now been given additional taxation and borrowing powers. This calls for lowering the weight assigned to the economic activity component.
(vii) The welfare component being removed, it needs to be replaced by another component that addresses the redistribution issue.

[8] ISRDP stands for Integrated Sustainable Rural Development Programme while URP stands for Urban Renewal Programme.

[9] For details, refer Rao, 2003.

[10] In the 2001 Intergovernmental Fiscal Review, the weight for the welfare component is increased by one percentage point and the weight for the economic component decreased by one percentage point. This increase in social security expenditure represents the full funding of a national mandate with no provincial discretion. However, no adjustment occurs to the overall allocation to provincial government to reflect this changing mandate. Other social service expenditures are therefore a residual allocation after the full funding of social security. Social security grants are therefore incorrectly specified in the equitable share formula.

[11] These reviews include Provincial Economic Review and Outlook, a Service Delivery Review, a Review of Local Government and a Review of Financial Governance and all these reviews.

[12] The departments that included a gender element within their statements were: Office of the Premier, Health, Development Planning and Local Government, Public Transport, Roads and Works, Safety and Liaison, Agriculture, Conservation, Environment and Land Affairs, Sports, Recreation, Arts and Culture. Gauteng Shared Services included three paragraphs on "gender, BEE and Employment creation issues". For details, refer Commission on Gender Equality, 2004.

[13] For details, refer Commission on Gender Equality, 2004.

[14] The other members of the IDP Representative Forum are executive committee of the council, Councilors including district councilors, traditional leaders, ward committee representative, heads of departments and senior officials from municipal and government department, representatives from organised stakeholder groups, resource people or advisors and community representatives.

[15] Commission of Gender Equality (2004): 'Gender Budgeting in Local Government', http:/www.cge.org.za/ for further details, refer 'Beijing Plus Ten Report', Office of Status of Women, South Africa, 2005.

[16] Provincial legislation provides for mechanisms or procedures to allow a sufficient number of women to be represented in the Provincial House of Traditional Leaders, and be elected as representatives to the National House of Traditional Leaders. The Act also requires that the number of women be representatives of the traditional leaders within a district or municipality. *The Local Government Municipal Systems Act, 2000* (Act 32 of 2000), ensures the development of a culture that promotes participatory governance and creates enabling conditions to achieve this. Municipalities are required to take into account the circumstances of women, people with disabilities and the youth in development planning through specific processes. *The Local Municipal Structures Act, 1998* (Act 117 of 1998), makes provision for equal representation of women and men in political party lists and ward committees. Ward committees have the power and functions to make recommendations and influence decisions on any matter affecting the lives of all people in municipal wards. The *South African Local Government Association's* (SALGA) Gender working group was also formed in 1996, in order to ensure the strategic presence of women and gender issues in local government.